

## Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-09 EUR-12  
NEA-10 INRE-00 SSO-00 NSCE-00 USIE-00 L-03 FRB-01  
OMB-01 ITC-01 SP-02 AGRE-00 AID-05 CIAE-00  
COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01  
STR-04 TRSE-00 CEA-01 SS-15 NSC-05 /125 W  
-----201910Z 029704 /42

O R 201749Z APR 77  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 6690  
INFO AMEMBASSY LONDON

UNCLAS SECTION 1 OF 2 GENEVA 2919

LONDON FOR THIGPEN

E.O. 11652: N/A  
TAGS: UNCTAD, ETRD  
SUBJECT: UNCTAD: UN SUGAR CONFERENCE, GENEVA APRIL 18 - MAY 27

AT SECOND SESSION OF THE ECONOMIC COMMITTEE THE UNITED STATES INTRODUCED AN OUTLINE OF U.S. CONCEPTS OF HOW THE INTERNATIONAL SUGAR AGREEMENT MIGHT BE STRUCTURED. IN INTRODUCING THIS OUTLINE U.S. REP (KATZ) STRESSED THAT WE ARE FLEXIBLE ABOUT THE SPECIFIC TERMS AND ARRANGEMENTS AND WOULD CONSIDER MODIFYING OUR IDEAS DURING THE COURSE OF THE DISCUSSIONS AND NEGOTIATIONS.

TEXT OF OUTLINE FOLLOWS: BEGIN TEXT:

### 1. PRICE OBJECTIVES

THE OBJECTIVE SHOULD BE TO MAINTAIN PRICES WITHIN A BAND OF TEN CENTS.

### 2. THE PRICE MECHANISM

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THE AGREEMENT WOULD EMPLOY BOTH STOCKS AND EXPORT QUOTAS TO INFLUENCE MARKET PRICES IN THE DIRECTION REQUIRED TO CARRY OUT THE OBJECTIVES OF THE AGREEMENT.

IF THE LOWEST END OF THE PRICE BAND WERE X CENTS PER

POUNT, THEN AS PRICES DECLINED TO X PLUS 4, EXPORTERS WOULD BE OBLIGATED TO BUILD UP MINIMUM STOCKS TO A MAXIMUM LEVEL OF ABOUT 2.3 MILLION TONNES. THE COUNCIL WOULD DETERMINE THE RATE OF STOCK ACCUMULATION.

MINIMUM STOCK OBLIGATIONS AMONG EXPORTING MEMBERS WOULD BE BASED UPON EXPORT SHARES, EXCEPT THAT OBLIGATIONS WOULD DIFFER AS BETWEEN DEVELOPED AND DEVELOPING EXPORTERS.

SMALL EXPORTERS (E.G., LESS THAN 100,000 TONS) WOULD BE EXEMPT FROM MINIMUM STOCK OBLIGATIONS.

SHOULD PRICES DECLINE TO X PLUS 2 OR LESS, EXPORTING MEMBERS WOULD BE REQUIRED TO ACCUMULATE FURTHER STOCKS. SUCH SPECIAL STOCKS WOULD TOTAL UP TO 2 MILLION TONS, DISTRIBUTED ON THE BASIS OF EXPORT SHARES AND ACCUMULATED AT A RATE ESTABLISHED BY THE COUNCIL.

DEVELOPING COUNTRY EXPORTERS COULD OBTAIN FINANCING FOR SPECIAL STOCKS FROM AN ISA STABILIZATION FUND TO BE ESTABLISHED UNDER THE ISA. THE STABILIZATION FUND WOULD BE FINANCED BY MANDATORY CONTRIBUTIONS BOTH BY EXPORTING AND IMPORTING MEMBER COUNTRIES AND WOULD HAVE THE AUTHORITY TO AUGMENT ITS RESOURCES BY BORROWING.

BOTH MINIMUM STOCKS AND SPECIAL STOCKS WOULD BE VERIFIED BY WAREHOUSE RECEIPTS AS WELL AS PHYSICAL INSPECTION. IN ADDITION, WAREHOUSE RECEIPTS WOULD BE REQUIRED AS COLLATERAL AGAINST FINANCING PROVIDED FOR SPECIAL STOCKS.  
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AT THE LEVEL BETWEEN X AND X PLUS 2, THE COUNCIL WOULD ALSO HAVE THE AUTHORITY TO IMPOSE EXPORT QUOTAS. AT OR BELOW X CENTS PER POUND, EXPORT QUOTAS WOULD BE MANDATORY AT A GLOBAL LEVEL DETERMINED BY THE COUNCIL. QUOTAS WOULD BE SUSPENDED AUTOMATICALLY AT X PLUS 2 CENTS.

EXPORT QUOTAS WOULD BE ALLOCATED ON THE BASIS OF HISTORICAL EXPORT EXPERIENCE TO THE FREE MARKET AND WOULD BE ADJUSTED ANNUALLY ON THE BASIS OF AN APPROPRIATE ROLLING AVERAGE.

EXPORTING MEMBERS WOULD BE REQUIRED TO DECLARE SHORTFALLS WHICH WOULD BE REALLOCATED TO OTHER EXPORTING MEMBERS CAPABLE OF EXPORTING ADDITIONAL SUGAR. DISINCENTIVES (OR PENALTIES) WOULD BE PROVIDED TO DISCOURAGE UNDECLARED SHORTFALLS.

AS PRICES RISE ABOVE X PLUS 4 CENTS, EXPORTERS WOULD BE FREE TO EXPORT SPECIAL STOCKS, AND COULD BE REQUIRED TO DO SO AT A RATE ESTABLISHED BY THE COUNCIL. ALL SPECIAL STOCKS MUST

BE RELEASED, AND FINANCING REPAYED, IF THE PRICE REACHES  
X PLUS 8 CENTS. ABOVE X PLUS 8 CENTS, THE COUNCIL COULD ESTABLISH  
A TIMETABLE FOR RELEASE OF MINIMUM STOCKS, WHICH MUST BE  
RELEASED IF THE PRICE REACHES X PLUS 10 CENTS.

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COME-00 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01  
STR-04 TRSE-00 CEA-01 SS-15 NSC-05 /125 W  
-----201910Z 029870 /42

O R 201749Z APR 77  
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TO SECSTATE WASHDC IMMEDIATE 6691  
INFO AMEMBASSY LONDON

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LONDON FOR THIGPEN

### 3. LIMITS ON NON-MEMBER TRADE

WHEN PRICES ARE BELOW X PLUS 8, IMPORTING MEMBERS SHALL  
LIMIT IMPORTS FROM NON-MEMBERS TO AVERAGE IMPORTS DURING A  
REPRESENTATIVE PERIOD. SUCH LIMITATIONS SHALL NOT APPLY TO  
COUNTRIES OR AREAS DENIED MEMBERSHIP TO THE AGREEMENT.

### 4. A SCHEMATIC OF THE ABOVE OUTLINE IS ATTACHED.

PRICES DECLINING OPEN TRADE WITH PRICES RISING  
NON-MEMBERS

X PLUS 10 MADATORY RELEASE  
----- OF ALL MINIMUM  
STOCKS

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RELEASE OF MINIMUM  
STOCKS ON TIMETABLE  
ESTABLISHED BY COUNCIL  
----- MANDATORY RELEASE  
X PLUS 8 OF SPECIAL STOCKS

EXPORTERS FREE TO  
DISPOSE OF SPECIAL  
STOCKS, BUT COUNCIL  
MAY DECIDE TO REQUIRE  
SUCH A RELEASE ON A  
TIMETABLE

-----  
X PLUS 4

REPLENISHMENT OF  
MINIMUM STOCKS  
ON A TIMETABLE  
ESTABLISHED BY  
THE COUNCIL ----- AUTOMATIC QUOTA  
X PLUS 2 SUSPENSION UNLESS  
COUNCIL DECIDES  
OTHERWISE

EXPORTERS OBLIGATED TO  
PLACE SUGAR IN SPECIAL STOCKS,  
ON TIMETABLE ESTABLISHED BY  
COUNCIL, INITIALLY TOTALLING  
2,000,000 MT. COUNCIL  
AUTHORITY TO IMPOSE QUOTAS  
AND MAKE GLOBAL QUOTA ADJUSTMENTS

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MANDATORY QUOTAS -----  
X

QUOTA REDUCTIONS AT COUNCIL DESCRETION

END TEXT. SORENSON

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## Message Attributes

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**TAGS:** ETRD, UNCTAD  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
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22 May 2009  
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